

Restructuring Information Handbook Module 1

Restructuring Planning and Alternatives

Unit B, Guidance (June 2003 version)

Introduction The U.S. Office of Personnel Management developed the **Restructuring Information Handbook** to assist Federal agencies in identifying the mandatory statutory and regulatory procedures that apply to restructuring situations.

The Handbook also offers agencies options for minimizing or even eliminating the disruption that often results from restructuring.

There is no requirement for Federal agencies to use this Handbook. Also, the United States Court of Appeals for the Federal Circuit stated in **James v. Von Zemenszky**, 284 F.3D 1310 (2002), that: "... OPM's Restructuring Information Handbook is not a formal regulation, but merely an informal statement of agency views."

The structure of the Handbook assists the user in locating as much or as little restructuring information as the user needs. Some Modules contain only one **Unit**, while other Modules have two or more Units.

For subjects with mandatory statutory or regulatory requirements, **Unit A (Mandatory Requirements)** provides the user with both a crash course on the subject, and also with detailed information, complete with citations of requirements contained in law and regulation.

When appropriate, **Unit B (Guidance)** provides the user with useful guidance, including key appeals decisions from appellate bodies such as the Merit Systems Protection Board.

The summaries of appeals decisions are guidance prepared by individual OPM employees. The appeals summaries do not represent official summaries approved by OPM, the Board, or other appellate organizations, and are not intended to provide legal counsel or to be cited as legal authority. Instead, the appeals summaries inform and help the user locate relevant appellate precedents on a specific downsizing subject.

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Unit F (Basic Index to Module) and **Unit G (Detailed Index to Module)** help the user readily locate information within a specific Module.

Other Modules may contain additional Units, such as **Unit C (Appeals Index)**, and **Unit D (Samples)**.

Finally, Module 1 contains **Unit H, (Detailed Index to the Restructuring Information Handbook)**.

We welcome comments on the Restructuring Information Handbook.

Send any comments and suggestions to the Center for Talent and Capacity Policy at (202) 606-0960; FAX (202) 606-2329; or e-mail Thomas A. Glennon at taglenno@opm.gov.

Contents

OPM's Restructuring Information Handbook Modules contain the following topics:

Topic	Module	Unit(s)
Planning and Alternatives for Restructuring	1	B, F, G, H
Human Resource Responsibilities in Restructuring	2	B, F, G
Reduction in Force	3	A, B, C, D, E, F, G
Transfer of Function	4	A, B, C, F, G
Reduction in Force Furlough	5	A, B, C, F, G
Reemployment Priority List	6	A, B, C, F, G
Career Transition Assistance	7	A, F, G
Interagency Career Transition Assistance Plan	8	A, F, G
Voluntary Early Retirement	9	A, B, C, F, G
Voluntary Separation Incentive Payments	10	A, B, C, F, G

Using the Handbook

The Modules contain many cross-references to additional pertinent material. To assist in searches, each Module features a unique index system that assists the user in readily locating information in that Module or in the other Modules.

For example, a reference to "**3-A-15-3**" refers to:

- (1) Module 3 ("**Reduction in Force**"),
- (2) Unit A ("**Required Procedures**"),
- (3) Section 15 ("Credit for Performance in Reduction in Force"),
- (4) Paragraph 3 ("**Time Period Covered by Employees' Performance Ratings**").

For a second example, a reference to "**3-B-6-5-(b)**" refers to:

- (1) Module 3 ("**Reduction in Force**"),
- (2) Unit B ("**Guidance**"),
- (3) Section 6 ("**Reorganization and Job Erosion**"),
- (4) Paragraph 5 ("**Use of RIF Procedures in Job Erosion Situations**"),
- (5) Subparagraph (b).

All of the Modules use the same index system.

For example, a reference to "**4-A-4-3**" refers to:

- (1) Module 4 ("**Transfer of Function**"),
 - (2) Unit A ("**Required Procedures**"),
 - (3) Section 4 ("**Determining Whether the Transfer of Function Provisions are Applicable**"),
 - (4) Paragraph 3 ("**Basis for Transfer of Function Decisions**").
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Restructuring Information Handbook Module 1

Restructuring Planning and Alternatives

Unit B, Guidance (June 2003 version)

Introduction Restructuring Information Handbook Module 1 provides guidance to help an agency develop a restructuring plan, and also to minimize any resultant involuntary separations or demotions of the agency's employees. Module 1 consists of four Units: (1) Unit B, "Guidance," (2) Unit F, "Basic Index to Module 1," (3) Unit G, "Detailed Index to Module 1," and (4) Unit H, "Detailed Index to the Restructuring Information Handbook." This is the June 2003 version of Unit B.

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Section 1, Overview

Introduction This section summarizes the guidance available in Restructuring Information Handbook Modules 1 and 2. Together, these two Modules provide guidance on avoiding reduction in force actions, planning for a reduction in force and conducting a reduction in force.

Contents This section contains the following topics:

Topic	See Paragraph
Guidance in Module 1	1-B-1-1
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B This symbol highlights where you can find additional material in Unit 1-B.

i This symbol guides you toward more general references on the subject in Module 1 or in other Modules.

Section 1, Overview

1-B-1-1

Guidance in Module 1

Restructuring Information Handbook Module 1 covers the human resources role in planning for restructuring actions.

- Module 1 helps a restructuring agency consider viable alternatives that will minimize, or even possibly eliminate, involuntary separations or downgradings.
-

1-B-1-2

Related Guidance in Module 2

Restructuring Information Handbook Module 2 (“**Human Resource Responsibilities in Restructuring**”) provides related guidance if the agency finds that it must actually conduct a reduction in force.

Section 2, Developing the Restructuring Plan

Introduction This section offers guidance on how an agency creates and subsequently implements a reorganization plan that will result in positive change for the agency, its employees, and its “customer.”

Contents This section contains the following topics:

Topic	See Paragraph
Top Leadership Commitment	1-B-2-1
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B This symbol highlights where you can find additional material in Unit 1-B.

① This symbol guides you toward more general references on the subject in Module 1 or in other Modules.

Section 2, Developing the Restructuring Plan

1-B-2-1 **Top Leadership Commitment**

"**Restructuring**" includes organizational decisions resulting from reshaping, downsizing, realigning, reorganizing, streamlining, etc.

- **Explanation**-For true organizational success, the agency's managers must be totally committed to the agency's restructuring plan. Managers must not only support the planned organizational changes, but must have sufficient confidence in the reorganization plan to actively believe in these decisions.
-

1-B-2-2 **Additional Restructuring Assistance**

Agencies can often develop better restructuring plans by using additional resources such as:

- (a) OPM's consulting services;
 - B** • Section **1-B-11** covers restructuring services available from OPM.
 - (b) Other agencies that have restructured or downsized (including other components in the same agency); and
 - (c) Consultants in the private or public sector.
-

1-B-2-3 **Strategic Planning and Alignment**

When possible, the agency should develop a restructuring plan using a "**Strategic Planning and Alignment**" approach. This approach links the restructuring plan to agency goals and objectives for the next one to five years or even longer.

- For example, planning to replace the agency's automated project tracking systems might be a multi-year goal.
- (a) "**Strategic Planning**" is the first major step in organizational change--identifying organizational goals.

- (b) **"Strategic Alignment"** is the logical next step--deciding how to implement the Strategic Plan.
-

1-B-2-4

Strategic Plan

The **"Strategic Plan"** helps agency managers develop substantive organizational goals:

- (a) Based on available fiscal information (including resources available through annual appropriations, reimbursable services the agency performs, fees or penalties, the sale of agency commodities, etc.);
 - (b) Based on decisions made by managers elsewhere in the executive branch;
 - (c) Resulting from legislative action;
 - (d) Resulting from judicial or other appellate action; and/or
 - (e) Based on decisions made by agency managers.
-

1-B-2-5

Effective Strategic Planning

Effective **"Strategic Planning"** is essential to organizational management.

- **Explanation**-Restructuring decisions driven only by short-term "numbers-cutting" goals can compromise the agency's ability to carry out its mission. One result of a "shotgun" approach to reducing or relocating personnel may be an unmotivated workforce lacking the skills and knowledge to meet the organization's goals and objectives.
-

1-B-2-6

Strategic Planning and Needs Analysis

"Needs Analysis" is also a key component of Strategic Planning, especially if you must reduce staff.

- **Explanation**-Once agency decision-makers establish broad

organizational goals, their next step is to begin planning for the future, with special emphasis on defining the agency's specific organizational goals over the next 1 to 5 years.

1-B-2-7

Needs Analysis Review

In this phase of Strategic Planning, agencies complete a “**Needs Analysis Review**” of the programs requiring personnel cuts.

- **Explanation**-In some situations, the agency must reduce the total number of employees; in other instances, certain employees will replace others having different skills. Regardless of the situation, agency managers use the same identification process to complete the Needs Analysis Review.

Through an organizational “**Needs Analysis Review**,” agency managers begin working with human resources staff to identify surplus positions, continuing positions, and options available to avoid (or minimize) involuntary separations.

The Needs Analysis Review includes agency decisions based on the need for specific occupations and/or skills. This review may also indicate where the agency will perform remaining work or whether work will be even performed at all.

- For example, the agency may shift work to a different Federal agency, or a private vendor under reimbursable agreement.
-

1-B-2-8

Needs Analysis Review From the Human Resources Perspective

From the human resources perspective, a comprehensive “**Needs Analysis Review**” should identify key personnel related issues that affect the agency’s present and future ability to perform its missions.

- **Explanation**-On a broad basis, a “**Needs Analysis Review**” identifies:
 - (1) What positions (including types, numbers, and locations) are excess due to the reorganized or reduced mission;
 - (2) What positions (including types, numbers, and locations)

are still needed to perform the mission;

- (3) How to avoid involuntary separations; and
- (4) Whether the human resources organization can support this organizational change.

On a more focused basis, a “**Needs Analysis Review**” identifies:

- (1) Categories of surplus employees (including types, grades, and location(s) of the positions);
- (2) Future occupations needed (including short-term, mid-term (e.g., 1 through 5-year), and long-term (e.g., more than 5 years));
- (3) Education and training requirements of remaining staff (again, specifying short-term, mid-term, and long-term needs);
- (4) A cost/savings analysis based on salary and other costs (e.g., benefits, travel, training, etc.) for both surplus and continuing positions;
- (5) Time frame for completing restructuring;
- (6) Strategies to avoid reduction in force.

B

- Section **1-B-5** covers options to avoid involuntary separations in a restructuring situation;
- (7) Whether agency personnel records and human resources staff are ready to support restructuring actions, or if not ready, how many staff years are necessary to prepare for a reduction in force or transfer of function;
- (8) The status of performance appraisals (e.g., Will the agency issue performance ratings in the near future? Are ratings of record properly on file? Does the agency have a plan to freeze ratings prior to a reduction in force?);
- (9) Agency staff and other resources necessary to conduct a reduction in force or relocate employees;

B

- (10) Agency staff and other resources needed to help displaced employees find other positions;
- (11) Reduced or terminated functions or tasks (including closure of an organization or location);
- (12) How the agency will be organized and agency goals after restructuring;
- (13) The agency's communication strategies (during and after reduction in force) for separated and remaining employees, agency customers, and the general public;
- Section **1-B-3** covers communications strategies in restructuring situations.
- (14) How to empower lower-level employees and organizations while reducing managers' span of control; and
- (15) How the agency will restructure (e.g., aggressively or passively?).

1-B-2-9

Strategic Alignment

“**Strategic Alignment**” should verify that the agency is on course to reach the organizational goals in its Strategic Plan.

- If not on course, Strategic Alignment identifies problems and barriers to reaching those goals.
- **Explanation**-Agency managers will need to revise the agency's Strategic Plan if Strategic Alignment indicates that part, or even all, of the Strategic Plan is unworkable.

1-B-2-10

Human Resource Professionals in Strategic Alignment

“**Human Resource Professionals**” play an even greater role in Strategic Alignment than in Strategic Planning. Once management establishes broad organizational goals through Strategic Planning, Human Resources builds on the Needs Analysis to determine if staffing

adjustments are necessary to implement the Strategic Plan.

- **Explanation**-In some situations, no personnel-related changes may be necessary. However, the human resources organization may find that the scope of organizational change will require significant staffing adjustments. Necessary adjustments may include:

- (1) Limited retraining of present staff;
 - (2) Resolving skills imbalances that retraining cannot fix; or
 - (3) Significant workforce reductions.
- (a) Even with twenty-first century automation, people still make agencies work. An important goal of agency human resources is to improve organizational and individual performance through involvement in the Strategic Planning and Strategic Alignment processes in four steps covered in paragraphs **(b)** through **(e)** below.
 - (b) **First**, human resources should expand on the Needs Analysis and work with management to identify the numbers and types of positions needed to implement the Plan.
 - (c) **Second**, human resources can help management refine this position information and compare it to the current workforce. Management can then see if the current workforce can implement the Plan, or if staffing changes are required (hiring for special skills, retraining present employees, workforce reductions, etc.).
- **Explanation**-Using the 1-5 year timeframe in the Strategic Plan, human resources identifies steps necessary to develop and maintain a workforce that can achieve organizational goals. This is the purpose of Strategic Alignment--to match the human resource requirements of the Plan with both the existing workforce and the workforce needed in the future.

Effective Strategic Alignment should consider:

- (1) The number and/or percentage of employees eligible for optional or voluntary early retirement during the next 5 years;

- (2) Possible retention problems for certain positions because of higher salaries available elsewhere;
 - (3) Existing or potential recruiting problems for certain positions because of salary or other factors; and
 - (4) Options to improve the workforce (e.g., developmental assignments, internal trainee programs, regular training for all employees in certain organizations, etc.).
- (d) **Third**, Human Resources should develop options to implement the Strategic Plan. Available staffing options will vary, based on findings in Step Two in paragraph (c) above.

Options to bridge current employees into the new organization include:

- (1) Maximizing employees' present job skills; and
 - (2) Retraining current agency employees for high priority skills under the Plan.
- (e) **Fourth**, if the agency must downsize the current workforce (whether reducing the total number of employees or only those in obsolete positions), the agency should consider ways to minimize involuntary separations, such as:
- (1) Hiring freezes and/or filling vacancies internally;
 - (2) Requesting Voluntary Early Retirement Authority;
 - (3) Offering Voluntary Separation Incentive Payments (buyouts), when available;
 - (4) Furloughs;
 - (5) Hiring temporary/term (rather than permanent) employees when budget or workload is uncertain; and,
 - (6) Detailing employees from other organizations rather than hiring additional permanent staff.

B

- Section **1-B-5** offers additional options to minimize the

negative impact of a reorganization upon agency employees.

1-B-2-11

Shaping the New Organization

After developing the broad Strategic Plan and identifying the human resource requirements through Strategic Alignment, human resources should work with agency managers to help develop the operating procedures needed to implement the Plan in a new organizational structure.

- **Explanation-**The human resources role may include:
 - (1) Helping on decisions whether or not to delegate program authority to lower-level organizations;
 - (2) Revising supervisory spans of control (possibly by eliminating or reducing intervening levels of supervisors/managers);
 - (3) Ensuring that positions are correctly described and classified.

B

- See paragraph **1-B-2-8** below for more information on position management.
 - (4) Distinguishing supervisory duties from production tasks (does the new organization need the same number of working team leader positions?);
 - (5) Redistributing duties and responsibilities among positions or organizations, while maintaining skill levels;
 - (6) Consolidating positions and/or functions requiring special skills or training;
 - (7) Evaluating the impact of technology-based organizational changes on the workforce;
 - (8) Assessing customer needs; and
 - (9) Evaluating perception of the plan by outside individuals or

organizations (for example, the general public, the media, members of Congress, the agency's "customers," etc.).

1-B-2-12

Position Management

"Position Management" is the process of designing or redesigning positions to combine duties and responsibilities logically and consistently, forming an efficient, productive organization.

- **Explanation**-Position Management is especially important to future organizational effectiveness when an agency undertakes reshaping, restructuring, downsizing, or similar actions.

Reorganizations can disrupt an organization's ability to meet customer needs, especially if the agency reduces the workforce or relocates employees. The agency should review its position management policies as part of its Strategic Plan and Strategic Alignment options.

Effective Position Management helps managers establish:

- (1) Organizational goals for the short, mid, and long-term (these may or may not be the same);
- (2) The most productive and efficient organization;
- (3) Streamlined work flow patterns; and
- (4) Positions designed to provide rewarding, stimulating and challenging work.

Using the principles of Position Management, when possible the agency should establish entrance level positions with planned career progression that facilitates advancement to positions with the higher skill levels of the agency's core programs. In designing or redesigning positions, the agency's principal goal should always be an available pool of qualified personnel at all skill levels.

Effective position management also helps optimize the ratios of supervisors, managers, and support positions, to other employees.

1-B-2-13

Position Management and Strategic Alignment

B

Sound position management is critical to the “**Strategic Alignment**” process already described in paragraph **1-B-2-6** above.

- For example, position management helps the agency identify additional training needs among current staff to meet future staffing requirements.
- **Explanation**-Agencies should review their position management plans regularly to assure that their organizational structures and the positions that make those organizations effective meet the agency’s mission requirements as well as the needs of the agency’s customers.

Agencies should tell all managers and supervisors what they expect of them, including their active involvement in implementing plans. Agencies should use specialized human resource staffers when necessary when undertaking job analysis, job redesign, organizational design, career patterns, staffing and training strategies, and coordination of the agency’s positions.

1-B-2-14

Other Restructuring Considerations

In developing and implementing an effective restructuring plan, the agency should always be aware of the possible need for the involvement of other internal and external parties to the agency’s programs.

- **Explanation**-For example, the agency may need to:
 - (1) Coordinate the reorganization with its unions and officially recognized professional organizations;
 - (2) Study its local labor markets to staff positions in the new organization;
 - (3) Plan for communication with all of its employees.

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- Section **1-B-3** has additional guidance on communication issues during a reorganization.

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- (4) Evaluate the progress of its restructuring (including tracking work from any terminated functions);
 - (5) Schedule input from "customers" or "clients"; and,
 - (6) In some situations, implement the reorganization in phases while maintaining operational continuity of the agency's individual programs.
-

Section 3, Implementing the Restructuring Plan

Introduction This section covers the importance of communication and coordination to successfully implement the agency's restructuring plans with minimal disruption to the agency, its employees, and the customers who receives the agency's products and services.

Contents This section contains the following topics:

Topic	See Paragraph
Planning for Effective Communication	1-B-3-1
Examples of Effective Communication	1-B-3-2
Communication Issues	1-B-3-3
Labor-Management Cooperation	1-B-3-4
Technological Support to Assist Surplus Employees	1-B-3-5

B This symbol highlights where you can find additional material in Unit 1-B.

① This symbol guides you toward more general references on the subject in Module 1 or in other Modules.
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Section 3, Implementing the Restructuring Plan

1-B-3-1

Planning for Effective Communication

The agency needs an effective communications strategy for all parts of the organization, developed and monitored by top management, unions, human resources, and communications staff.

- **Explanation**-For example, the agency should make a special effort to continually provide its surplus or displaced employees with information on career transition opportunities. An agency has many options to share this information, such as through the agency's LAN, a special agency website, or a CD-ROM that the employee could possibly take home.
-

1-B-3-2

Examples of Effective Communication

An agency has many options to effectively communicate its restructuring plans to interested parties, such as:

- (a) Explaining the Strategic Plan to lower-level managers, other employees and union representatives via meetings, written messages, or both.
- (b) Increasing employee support for the Plan by directly addressing employee questions and concerns.
 - One option for the agency could be an open on-line question-and-answer forum on the agency's intranet.
- (c) Sharing available information about the Plan with lower-level managers, other employees and union representatives.
 - If no additional information is available on a specific issue, the agency should also share that fact item.
- (d) Sending clear, consistent messages about the purpose of the Plan, the agency's schedule for implementing the Plan, and the expected benefits of the Plan upon the agency.
- (e) Soliciting input on the Plan from other managers, employees, the

agency's customers, unions, and local employee association representatives.

- At a minimum, each group should understand the agency's goals in implementing the Plan.
 - As best possible, the agency should actively try to include each group's ideas as the agency finalizes and implements the Plan.
- (f) Assuring the agency's managers, employees, and customers that, once implemented, the Plan will improve the quality of the agency's products and services.
-

1-B-3-3

Communication Issues

Communication issues become prominent during any major organizational change.

- **Explanation**-Case studies consistently document the importance of keeping staff (supervisors, managers, and other employees) informed of current developments in the reorganization and reshaping effort. Agency options may include informational letters, news articles, town hall meetings, and other strategies. Without accurate information on the restructuring, employees tend to rely on unofficial information, speculation and rumors.

Agencies can distribute daily, weekly, or bi-weekly newsletters to the employees being involuntarily separated or transferred, as well as their first-line supervisors and co-workers. A hot line to answer employees' inquiries can be a useful tool. Finally, since effective communication is a two-way process, a suggestion box coupled with feedback could be helpful.

1-B-3-4

Labor-Management Cooperation

If possible, the agency should obtain union support for the restructuring plan.

- Possible options may include dialogue through labor-management councils, and formal partnerships that

encourage positive union-management involvement
working towards common organizational improvement.

1-B-3-5

Technological Support to Assist Surplus Employees

Automated support systems can help an agency provide maximum support to its employees in positions that are surplus because of the Plan.

- For example, the agency may use both the internet and agency-specific computer programs to provide its displaced employees with maximum career transition assistance information, such as other job opportunities in the present agency, in other agencies, and in the private sector.
 - Specialized automated systems can also help employees make retirement or career transition decisions.
-

Section 4, Critical Management Considerations in Downsizing

Introduction This section covers the key decisions that an agency must make if restructuring results in reduction in force actions. This section also covers issues that the agency should consider in preparing for the impact of a reduction in force upon the agency and its workforce.

Contents This section contains the following topics:

Topic	See Paragraph
Management Decisions if the Strategic Plan Results in a RIF	1-B-4-1
Evaluating the Impact of a Possible RIF	1-B-4-2

B This symbol highlights where you can find additional material in Unit 1-B.

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Section 4, Critical Management Considerations in Downsizing

1-B-4-1

Management Decisions if the Strategic Plan Results in a RIF

If the agency finds that the Strategic Plan may result in a reduction in force and displaced employees, the agency should immediately consider options to:

- (a) Minimize the impact of the reduction in force upon the workforce,
- (b) Prepare employees for possible involuntary separation or demotion by reduction in force, and
- (c) Ensure maximize effectiveness of the new Plan after the reduction in force takes place.
 - These decisions may reduce the number of employees reached for involuntary reduction in force actions, or (ideally) even possibly avoid the need for the agency to conduct a reduction in force.

1-B-4-2

Evaluating the Impact of a Possible RIF

If the agency finds that its new Strategic Plan may result in a reduction in force, the agency should consider issues such as:

- (a) **Scope.** What is the size of the reduction in force in terms of both the gross number of employees affected by the actions, and the same number relative to the total size of the agency and/or a component? Also, what is the principal reason for the reduction in force (e.g., a budgetary shortfall, a privatization of work, a change in program priorities, etc.)?
- **Explanation-**The size and reasons for the reduction in force will directly impact the agency's options for minimizing the impact upon both employees reached for involuntary actions and those remaining to implement the Plan.

For example, a large budget-driven reduction in force will result in more disruption to the agency and will require a more extensive outplacement program than a reorganization with a reduction in

force that will result in only a few demotions with retained grade and pay).

- (b) **Timing.** How much time will the agency have to implement the reduction in force?
- **Explanation-**The more time that is available for the agency to implement a possible reduction in force resulting from the Plan, the less likely that the agency will actually need to conduct the reduction in force.
- The agency should begin its reduction in force avoidance strategies as soon as possible. To ensure minimal disruption when implementing the Plan, the agency should review its personnel rosters to identify positions that may be excess in the new organization. The agency can then focus its career transition and outplacement resources for maximum results in minimizing the number of employees who are reached for reduction in force actions.
- (c) **Targeting.** Targeted cuts are more effective than across the board cuts, which can leave the agency without the staff to perform critical functions. Identify which functions to eliminate, consolidate, and/or retain. Then identify and target affected positions.
- (d) **Flexibility.** There are multiple strategies available for downsizing or restructuring, so be flexible. Remember that reduction in force is a last resort. Make your strategies compatible with the agency's mission and goals.
- (e) **Multiple Strategies.** One tool or strategy may not be enough.
- **Explanation-**By using a combination of reduction in force avoidance tools to encourage voluntary attrition (including buyouts, voluntary early retirements, and active career transition programs), the Federal government eliminated approximately 410,000 occupied positions from January 1993 through September 2002. This was a nearly 20% reduction in the workforce, but only approximately 11% of the reduction resulted from involuntary reduction in force separations.
-

Section 5, Minimizing the Need for RIF

Introduction This section covers eleven options that an agency may consider in its effort to minimize or even avoid actual reduction in force separations and demotions in a restructuring situation.

Contents This section contains the following topics:

Topic	See Paragraph
Internal Placement Programs for Surplus Employees	1-B-5-1
Freeze Hiring and Promotion Actions	1-B-5-2
Voluntary Reduction of Hours	1-B-5-3
Separate Temporary Employees	1-B-5-4
Separate Reemployed Annuitants	1-B-5-5
Detail Employees to Other Agencies on a Reimbursable Basis	1-B-5-6
Furloughs	1-B-5-7
Reassign Surplus Employees to Continuing Positions	1-B-5-8
Voluntary Change to Lower Grade	1-B-5-9
Modify or Waive Qualifications	1-B-5-10
Train Employees for Other Positions	1-B-5-11

B This symbol highlights where you can find additional material in Unit 1-B.

i This symbol guides you toward more general references on the subject in Module 1 or in other Modules.

Section 5, Minimizing the Need for RIF

1-B-5-1

Internal Placement Programs for Surplus Employees

A strong internal placement program with selection priority can actively place surplus employees into other continuing positions within the agency.

- ①
 - The agency should also consider related alternatives such as a general freeze on filling vacant positions from both internal and external sources, which is covered in paragraph **1-B-5-2** below.
 - ①
 - Restructuring Information Handbook Module 7 covers the “**Career Transition Assistance Plan**,” which provides mandatory internal selection priority for an agency’s surplus and displaced competitive service employees.
-

1-B-5-2

Freeze Hiring and Promotion Actions

If the agency finds that its Strategic Alignment Plan will result in surplus or displaced employees, the agency should structure a freeze on personnel actions to best fit its individual situation rather than automatically adopting a blanket freeze on all personnel actions.

- **Explanation**-A major decision for the agency is whether to implement a total freeze on internal or external personnel actions, or to only adopt a partial freeze (e.g., a freeze on filling positions from outside the agency).

An immediate result of a freeze on filling new positions is a relative stabilization of personnel costs. When combined with expected continuing attrition from the agency, a freeze on filling new positions can actually reduce personnel costs, particularly over a longer period of time.

The agency may be required to implement at least a partial freeze of personnel actions since the Career Transition Assistance Plan provides the agency’s surplus or displaced competitive service employees with intra-agency non-promotion selection priority to

competitive service vacancies in the employee's present local commuting area.

On the down side, a freeze on filling new positions may eventually restrict the capacity of the agency to perform its work, especially if continuing attrition reduces the number of available employees below a critical level.

In a mid- or long-term implementation of its Strategic Alignment Plan, the agency may adopt a freeze on a ratio or a percentage basis, such as filling one position for every two vacated positions. This provides the agency with another option in maintaining its ability to perform its critical missions.

Regardless of the extent of a freeze on personnel actions, the agency policy should include a "safety valve" policy permitting exceptions to the freeze. This allows the agency to fill essential positions if an unexpected situation develops (e.g., additional reimbursable work unexpectedly is available, a natural disaster occurs, etc.), while still maintaining the general intent of the agency's freeze. The agency's freeze policy should specify the agency official with authority to approve an exception to the freeze.

In general, a freeze on internal promotions (if the agency adopts that option) requires more attention from the human resources office than a blanket freeze on external or even internal hires. For example, the agency should consider:

- (1) Will the agency freeze all promotions, only promotions for certain positions, or only promotions at certain grade levels?
- (2) Will the agency freeze all career ladder promotions?
- (3) Will the agency freeze optional promotions based on accretion of duties?
- (4) How will the freezing of promotions affect the morale of the workforce?

The agency may consider a policy that allow employees to voluntarily reduce their scheduled work hours for a period of time (e.g., take one day a week or one day a pay period in a voluntary nonpay status) , or even to convert from a permanent full-time to a permanent part-time work schedule.

- **Explanation**-A reduction in an employee's scheduled work time will result in an immediate reduction in personnel costs, but will result in a loss of organizational productivity.

A temporary or permanent change in work schedule will allow an employee the flexibility to better non-worked related needs (e.g., family, educational, volunteer groups, medical, elder care, etc.).

When considering this option, the agency should survey employees to determine the level of interest, particularly if the agency is faced with a short-term shortage of work or funds.

Before adopting this option, the agency should first implement its policy on a procedure to select employees while maintaining continuity of agency operations.

Finally, the agency should advise employees of the personnel implications of the reduction in hours. For example, an employee who converts from a permanent full-time to a permanent part-time schedule earns retirement credit on a prorated basis and follows a different formula to calculate health benefits costs. Similarly, an employee who on voluntary or involuntary leave-without-pay may have a reduction in the leave or retirement credit that the employee would have earned had the employee in a full-time pay and duty status.

1-B-5-4

Separate Temporary Employees

A competitive service temporary employee serves at the will of the agency and can be terminated without regard to OPM's reduction in force regulations.



See subparagraph **3-A-12-3-(c)-(3)** for additional guidance on the agency's right to terminate a competitive service temporary employees without reduction in force competition.

1-B-5-5 **Separate Reemployed Annuitants**

A reemployed annuitant serves at the will of the agency and, regardless of type of appointment, can be terminated without regard to OPM's reduction in force regulations.

- If the agency does not separate the reemployed annuitant prior to the reduction in force effective date, the reemployed annuitant competes in the reduction in force on the same basis as other employees holding the same type of appointment.
- In some situations the termination of a reemployed annuitant will both reduce the agency's payroll costs and free up a continuing position for surplus permanent employee.
- See subparagraph **3-A-5-8-(e)** for additional guidance on the agency's right to terminate a reemployed annuitant without reduction in force competition.

1-B-5-6 **Detail Employees to Other Agencies on a Reimbursable Basis**

A reimbursable detail to a different agency allows the present agency to retain its skilled workforce even though the employees may at the moment be temporarily surplus.

- The employee on an interagency detail retains the same rights and benefits based on the employee's official position of record in the agency from which the employee was detailed because a detail does not change the employee's official position of record.
- This options works well when another agency has a temporary need for the specific skills of the surplus employees.
- An interagency reimbursable detail may also assist the agency in permanently outplacing the surplus employees in the different agency
- An interagency reimbursable detail may not be a viable

option if the employees' present agency is faced with immediate downsizing plans, or finds that the employees' position will likely continue to be surplus in the future.

1-B-5-7

Furloughs

An agency may temporarily reduce personnel costs by "**Furloughing**" employees.

- An agency must use the appropriate furlough regulations to place an employee in a temporary nonduty, nonpay status because of lack of work or funds, or other nondisciplinary reasons.

:

(a) A "**Reduction in Force Furlough**" lasts **more than**:

- (1) 30 continuous calendar days; or
- (2) 22 discontinuous workdays (for example, 1 workday per week for 25 weeks).

(b) An "**Adverse Action Furlough**" lasts **up to**:

- (1) 30 continuous calendar days; or
- (2) 22 discontinuous workdays (for example, 1 workday per pay period for six pay periods).



- Restructuring Information Handbook Module 5 ("**Reduction in Force Furlough**") also summarizes the adverse action procedures used for short furloughs.

- **Explanation**-If possible, the agency should discuss its furlough plans with employees, managers, supervisors, and union officials to explain that this temporary measure of a furlough is a better alternative for both the agency and its employees than involuntarily separating employees by reduction in force.

An agency must generally give each covered employee a written notice at least 30 days before the effective date of an adverse action furlough. An agency must give each competing employee a minimum 60-day specific written notice before the furlough effective

date. The same notice periods apply whether the furlough is continuous or discontinuous.

Furlough is not an option if the agency finds that it is faced with a continuing rather than temporary lack of work and/or funds. For example, an agency may furlough an employee under reduction in force regulations only when the agency plans to recall the employee to duty within 1 year in the position that the employee held when furloughed. For another example, an agency may furlough an employee under the adverse action regulations only when the agency plans to recall the employee to duty within 30 calendar days (or within 22 workdays for a discontinuous furlough) in the same position the employee held before the furlough.

1-B-5-8

Reassign Surplus Employees to Continuing Positions

An agency may reassign an employee to another position at the same grade, as long as the agency has a legitimate management need for the employee in the position.

B

- **Explanation**-This option is often the best tool for avoiding involuntary separations and demotions. If the agency has a pool of vacancies (particularly after freezing positions under paragraph **1-B-5-2** above), the agency may be able to maintain continuity of operations and retain its investment in its current employees by using the reassignment option when possible.

An agency may reassign an employee without regard to OPM's 5 CFR Part 351 reduction in force regulations when the vacant position is at the same grade, or rate of pay (i.e., if the movement is between pay systems) as the employee's present position.

For reference, subparagraph 5 CFR 210.102(b)(4) defines "**Reassignment.**"

Section 5 CFR 335.102 is the authority that allows an agency to reassign an employee to a vacant position at the same grade or rate of pay.

①

The position to which the employee is reassigned may be located in the same or a different, (1) competitive level, (2) competitive area, or (3) local commuting area. Paragraph **3-A-5-2** in

Restructuring Information Handbook Module 3 (“**Reduction in Force**”) provides additional guidance on the “**Agency Authority to Reassign**.”

An agency may not reassign an employee to a position with more promotion potential unless the agency fills the position through merit competition.

The agency may make the reassignment without regard to the employee's retention standing (including veterans' preference status). At its discretion, an agency may limit its basic right to reassign by using impartial considerations such as retention standing, creditable service with the agency or the subagency, length of service in the present position, length of service in the present organization, etc.

Under paragraph 5 CFR 351.201(a)(2) of OPM's retention regulations, an employee has no right to be in reduction in force competition unless the employee is faced with separation or downgrading for a reason such as reorganization, lack of work, shortage of funds, etc. Reassignment to a position in a different local commuting area does not provide the right to compete for a position in the present competitive area under OPM's 5 CFR Part 351 reduction in force regulations even if the employee declines the reassignment, and the agency subsequently separates the employee under OPM's 5 CFR Part 752 adverse action regulations.

If an agency separates an employee for declining reassignment to a position in a different local commuting area, the employee qualifies for most of the benefits available to an employee who is separated by reduction in force (e.g., severance pay, discontinued service retirement, the Interagency Career Transition Assistance Plan, etc.). However, the employee is not eligible for the agency's Reemployment Priority List.

1-B-5-9

Voluntary Change to Lower Grade

At its option, an agency may offer an employee a voluntary change to lower grade without using reduction in force procedures.

- **Explanation**-Employees have the right to compete for retention

under OPM's reduction in force regulations before involuntarily separation or demotion due to a reason such as reorganization, lack of work, shortage of funds, or insufficient personnel ceiling.

In some situations, a voluntary change to lower grade allows an agency to staff a vacancy with a proven employee, while providing continued employment to a surplus employee without forcing reduction in force actions.

- ① Most organizational changes meet the 5 CFR 351.203 definition of "**Reorganization**," which can impact upon one position, many positions, and/or reporting relationships in an organization.

Paragraph 5 CFR Part 536.103(b) provides that an agency, at its option may provide an otherwise eligible employee with saved grade and pay when making a management-initiated offer of a lower-graded position to an employee during a reorganization announced in writing. Other options in the same situation include offering only saved pay, or neither saved grade nor saved pay.

- ① Section **3-D-6** in Module 3 includes a sample notice for an agency-initiated voluntary change to lower grade.

1-B-5-10

Modify or Waive Qualifications

At its option, an agency may modify or even waive minimum qualifications requirements if the agency finds that an employee has the capacity, adaptability, and special skills needed to perform the duties of a vacant position.

- B**
- **Explanation**-An agency may modify or waive qualifications requirements both in (1) reassigning an employee to another position under paragraph **1-B-5-8** above, and (2) offering an employee a voluntary change to lower grade under paragraph **1-B-5-9** above. This is another flexibility available to an agency to possibly avoid or minimize involuntary separations or demotions in a restructuring situation.
- ① See paragraph **3-A-25-9** in Module 3 for additional on waiving or modifying qualifications requirements to place surplus or displaced employees into continuing positions. This option can be especially valuable as an alternative to separation by reduction in force.

- ①
 - The OPM “**Qualifications Standards Handbook**” contains general information on waiving or modifying qualification requirements when placing employees as inservice placement actions apart from OPM’s reduction in force regulations.
 - The agency may not waive minimum positive education requirements under OPM’s reduction in force regulations or under the Qualifications Standards Handbook.
-

1-B-5-11

Train Employees for Other Positions

At its option, an agency may train (or retrain) employees for placement into continuing vacant positions as another alternative to minimize involuntary separations and demotions by reduction in force.

- B**
 - Section **1-B-10** has additional guidance on training and retraining options available to agencies that are restructuring.
-

Section 6, Career Transition Assistance Programs to Increase Voluntary Attrition

Introduction This section summarizes the four principal programs that an agency uses to maximize the voluntary outplacement of surplus and displaced employees in a restructuring situation.

Contents This section contains the following topics:

Topic	See Paragraph
Career Transition Assistance Programs	1-B-6-1
Agency Career Transition Services	1-B-6-2

B This symbol highlights where you can find additional material in Unit 1-B.

① This symbol guides you toward more general references on the subject in Module 1 or in other Modules.

Section 6, Career Transition Assistance Programs to Increase Voluntary Attrition

1-B-6-1

Career Transition Assistance Options

If an agency finds that implementation of its Strategic Plan will likely result in involuntary separations, demotions, and/or relocations because some employees now hold surplus positions, the agency's first option is often to try and place the surplus employees in other continuing positions through an effective outplacement program.

- **Explanation-** Agencies' Career Transition Assistance Plans consist of four parts:
 - (1) **"Career Transition Services"** assist all agency employees affected by downsizing, including employees holding excepted service and Senior Executive Service (SES) positions.
 - OPM's **"Career Transition Assistance Plan (CTAP)"** (which is covered in (2) below) requires that each agency provide these services to all surplus and displaced employees even though the employee may not be eligible for intra-agency selection priority through CTAP.
- B**
 - Paragraph **1-B-6-2** below has additional guidance on Career Transition Services.
 - (2) The **"Career Transition Assistance Plan (CTAP)"** provides most surplus and displaced permanent competitive service employees with intra-agency selection priority for vacancies that the agency is filling in the present local commuting area.
 - A permanent employee has a right to CTAP selection priority as a **"Displaced Employee"** when the employee receives a notice of separation by reduction in force, or a notice of proposed adverse action removal for declining relocation.
 - At its option, an agency may certify that an employee in an

excess position is a “**Surplus Employee**” for purposes of early CTAP eligibility before the employee receives a notice of separation resulting from reduction in force or relocation.

①

- To use CTAP selection priority, the surplus or displaced employee must apply for a vacancy, and the agency must find that the employee is well-qualified for the position.
- Restructuring Information Handbook Module 7 (“**Career Transition Assistance Plan**”) provides additional guidance on CTAP.
- Within the Department of Defense, the “**Priority Placement Program (PPP)**” is Defense’s agency-specific equivalent of the Career Transition Assistance Plan. Defense’s “**Civilian Assistance in Re-Employment**” Office (i.e., the “**CARE Office**”) at 703-696-1799 has responsibility for the PPP.

(3) The “**Interagency Career Transition Assistance Plan (ICTAP)**” provides most displaced competitive service employees with external selection priority over other outside candidates who apply for vacancies that other agencies are filling in the employee’s present local commuting area.

- A permanent employee has a right to ICTAP selection priority as a “**Displaced Employee**” when the employee receives a notice of separation by reduction in force, or a notice of proposed adverse action removal for declining relocation.

①

- Restructuring Information Handbook Module 8 (“**Interagency Career Transition Assistance Plan**”) provides additional guidance on ICTAP.
- (4) The “**Reemployment Priority List (RPL)**” provides a displaced competitive service employee with rehiring priority over other outside candidates for vacancies in the same agency that separated the employee by reduction in force.

- The RPL intra-agency selection priority covers the local commuting area where the agency separated the employee by reduction in force.
- Restructuring Information Handbook Module 6 (“**Reemployment Priority List**”) provides additional guidance on the RPL.

1-B-6-2 **Agency Career Transition Services**

OPM’s “**Career Transition Assistance Plan (CTAP)**” provides that each agency must provide career transition services to all surplus or displaced employees.

- Paragraph **7-A-3-3** in Restructuring Information Handbook Module 7 has additional guidance on career transition services under the Career Transition Assistance Plan.
- **Explanation-** An agency’s Career Transition Assistance Plan must include policies to provide career transition services to all its employees who are surplus or displaced because of downsizing or restructuring (including employees in the excepted service and the Senior Executive Service).

Possible career transition services include:

- (1) Excused absences so employees may use the agency’s career transition services and facilities (which may be onsite or at a different location);
- (2) Continued employee access to the agency’s career transition services or facilities even if the employee is separated;
- (3) An orientation session for surplus and displaced employees that explains both how to use the agency’s career transition services, and what are the eligibility requirements for selection priority under the Career Transition Assistance Plan, the Interagency Career Transition Assistance Plan, and the Reemployment Priority List;

- (4) Retraining opportunities for surplus and displaced employees;
- (5) Access by employees, including those with disabilities, to career transition services at all locations, including headquarters, field offices, and remote site locations;
- (6) Access by disabled employees to resource information on other forms of Federal, state, and local assistance which are available to support career transition for employees with disabilities;
- (7) Employee assistance programs that are available to surplus and displaced employees; and
- (8) Designation of career transition priority based upon individual agency components, if the agency elects this option.



- Paragraph **7-A-15-26** of Module 7 has additional guidance on this option.

Section 7, Voluntary Early Retirement as an Attrition Tool

Introduction This section covers the Voluntary Early Retirement (VERA) option, which for 30 years has consistently helped agencies minimize or even avoid involuntary separations and demotions resulting from organizational change. This section also summarizes additional VERA flexibilities enacted as part of the Homeland Security Act of 2002.

Contents This section contains the following topics:

Topic	See Paragraph
Purpose of VERA Option	1-B-7-1
New VERA Flexibilities	1-B-7-2
Employees Eligible for VERA	1-B-7-3
VERA is Not Discontinued Service Retirement	1-B-7-4
VERA is Not a Buyout	1-B-7-5

B This symbol highlights where you can find additional material in Unit 1-B.

i This symbol guides you toward more general references on the subject in Module 1 or in other Modules.

Section 7, Voluntary Early Retirement as an Attrition Tool

1-B-7-1

Purpose of VERA Option

The "**Voluntary Early Retirement Authority**" (**VERA**) option allows permanent employees to retire early if their organization is undergoing a major reduction in force, a major reorganization, a major transfer of function, or other substantial workforce restructuring and reshaping.

B

- Paragraph **1-B-7-2** below has additional guidance on new flexibilities that permit an agency to offer VERA based upon substantial workforce restructuring and reshaping.
- VERA is a valuable proven tool to directly increase voluntary attrition both by creating placement opportunities for employees who would otherwise be involuntarily separated or downgraded, and by avoiding displacements in actual reduction in force competition.
- **Explanation**-The agency has the sole right to request OPM approval of VERA authority. The agency also has the sole right to make related decisions, such as whether to use an OPM-approved VERA, which employees are covered by the VERA option, how long to open the window for VERA retirements, and how many employees may retire under the VERA.

The agency makes its decision on which employees are covered by VERA solely on the basis of nonpersonal factors related to the employee's position (e.g., grade, classification series, organization, duty site, etc.).

B

Before requesting VERA from OPM, the agency should consider other alternatives (for example, the options in Section **1-B-5** to minimize the need for reduction in force such as furlough, career transition assistance programs, hiring freezes, etc.).

An agency should not use VERA as a quick fix for a short-term immediate problem (e.g., to achieve short-term budgetary savings for the remainder of a fiscal year, to temporarily reduce ceiling, or to restaff with younger employees who have the job skills as the employees retiring under VERA).

An agency may submit a VERA request to OPM only if signed by the head of the agency; or by a specific agency designee with delegated authority (i.e., an agency component may not directly request OPM approval of a VERA request).

OPM may approve the agency's VERA request to cover the entire period of the agency's restructuring, or through the end of a fiscal year.

After OPM approves a VERA authority, based on management considerations the agency has the sole right to subsequently modify the closing date for the VERA window period, and/or to revise the number of employees who may retire under the authority.

After OPM approves VERA, the agency must immediately notify OPM of any subsequent changes in the conditions that served as the basis for the Authority. For example, if the agency obtained OPM VERA approval based on an expected shortage of reimbursable work in the current fiscal year but now finds that unexpected reimbursable work is now available, the agency must notify OPM of this change. Based on the updated information, OPM may modify or even terminate the VERA if the agency no longer has surplus positions or employees.

- ①
 - Restructuring Information Handbook Module 9, "**Voluntary Early Retirement**," has additional guidance on requesting, managing, and reporting, the VERA option.
- ①
 - Module 9 includes guidance on how in managing the VERA option, an agency may maximize its VERA benefits by, for example, offering VERA (sometimes with a buyout) to an employee in a "safe" position in order to avoid an involuntary separation or demotion by an employee in an excess position.

1-B-7-2

New VERA Flexibilities

The Homeland Security Act of 2002 (Public Law 107-296, approved November 25, 2002) provides additional VERA opportunities for an agency that is restructuring.

- B**
- Section **1-B-8** covers additional flexibilities for an agency that is restructuring to offer Voluntary Separation Incentive Payments (i.e., “buyouts”).

- **Explanation-** Congress in 1973 first authorized VERA retirements with approval of Public Law 93-39. The original legislation allowed an agency to request voluntary early retirement resulting from a major reduction in force.

In 1978, Congress through Public Law 95-454 expanded VERA to cover situations resulting from a major reduction in force, major reorganization, or major transfer of function.

In Section 1313(b) of the Homeland Security Act of 2002, Congress further expanded VERA as a potential option for agencies with excess employees and positions.

On June 13, 2003, at 68 FR 35270, OPM published interim 5 CFR parts 831 and 842 regulations to implement the VERA provisions of Section 1313(b) of the Act.

An agency may now request OPM approval of VERA if the agency's workforce includes employees with obsolete skills, knowledge, or similar factors. This allows an agency to use VERA as a more effective tool in improving its employees' skills within the agency.

To maximize this new flexibility in reshaping situations, an agency may now for the first time offer VERA after considering whether its present employees possess the skills, knowledge, or similar factors to perform a position. The actual VERA offers are still based upon nonpersonal considerations such as classification series, occupations, organization, etc.

Before the new flexibilities authorized by of the Homeland Security Act of 2002, OPM could approve VERA only when an agency had set a date to actually separate or demote employees because of reduction in force or relocation.

With the new flexibilities, OPM may also approve an agency's VERA request using a proposed date for reshaping the workforce, but still before an actual planned date for a reduction in force or

relocations.

1-B-7-3 **Employees Eligible for VERA**

An employee is eligible to retire under VERA only if the employee:

- (a)(1) Has completed at least 20 years of creditable service (including at least 5 years creditable civilian service), and be at least age 50, or
- (a)(2) Has completed at least 25 years of creditable service (including at least 5 years creditable civilian service), regardless of age;
- (b) Holds an official position of record that is covered by the agency's VERA authority;
- (c) Holds an official position of record that is not time-limited;
- (d) Has been on the agency's rolls at least 31 days before the agency's request for the voluntary early retirement authority, and remained continuously on the agency's rolls (without a break in service) since that time; and
- (e) Has not received a final removal decision based upon misconduct, or unacceptable performance.

- ①
 - Chapter 43 of the "**CSRS/FERS Handbook**" contains additional VERA guidance, including instructions agencies use to process employees' applications for voluntary early retirement.
-

1-B-7-4 **VERA is Not Discontinued Service Retirement**

Although the age and service requirements are the same, "**Discontinued Service Retirement**" is not the same as VERA.

- **Explanation**-Discontinued Service Retirement is an involuntary action, while voluntary early retirement is a voluntary action.

- ① Chapter 44 of the "**CSRS/FERS Handbook**" contains complete information on Discontinued Service Retirement.

1-B-7-5

VERA is Not a Buyout

A "**Voluntary Early Retirement Authority**" (VERA") is not the same as "**Voluntary Separation Incentive Payment**" (a "**Buyout**").

B

- OPM approval of VERA for an agency does not by itself authorize buyouts under Public Law 107-296 or other statute.
 - Section **1-B-8** covers the buyout option for an agency that is restructuring.
-

Section 8, Voluntary Separation Incentive Payments as an Attrition Tool

Introduction This section covers the Voluntary Separation Incentive Payment (VSIP) option, which beginning January 24, 2003, is now available to most agencies through broad legislation included in the Homeland Security Act of 2002.

Contents This section contains the following topics:

Topic	See Paragraph
VSIP Background	1-B-8-1
New VSIP Flexibilities	1-B-8-2
Repayment Requirement for Federal Employment After Receiving VSIP	1-B-8-3
OPM Waiver of the VSIP Repayment Requirement	1-B-8-4
VSIP Is Not VERA	1-B-8-5

B This symbol highlights where you can find additional material in Unit 1-B.

① This symbol guides you toward more general references on the subject in Module 1 or in other Modules.
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Section 8, Voluntary Separation Incentive Payments as an Attrition Tool

1-B-8-1

VSIP Background

The "**Voluntary Separation Incentive Payment**" (**VSIP**) (or "buyout") option allows an agency in a restructuring situation to offer many of its permanent employees a lump sum payment up to \$25,000 if the employee voluntarily retires or resigns.

- An agency must have specific legislative authority in order to offer a buyout.
- **Explanation**-Voluntary Separation Incentive Payments began under Public Law 102-484 (the National Defense Authorization Act of 1993), which allowed the Department of Defense when restructuring to offer its employees buyouts of up to \$25,000, based upon a severance pay formula. Defense employees who resigned, retired under a voluntary early retirement authority ("**VERA**"), or retired optionally, could receive the payment.

Public Law 103-226 (The Federal Workforce Restructuring Act of 1994) allowed most non-Defense executive branch agencies to offer buyouts from March 30, 1994 through March 31, 1995. Later, Section 663 of Public Law 104-208 authorized buyouts for many non-Defense agencies through December 30, 1996. Eventually, in the decade beginning with the Defense buyouts under Public Law 102-484, Congress approved over 30 separate buyout laws that only covered specific agencies for limited periods of time.

Each buyout law capped the maximum amount of a buyout at \$25,000, using the same severance pay formula referenced in the initial Defense buyout authority. Also, each buyout law restricted Voluntary Separation Incentive Payments to employees who resigned, retired under a VERA, or retired optionally (e.g., an employee who retired under the involuntarily Discontinued Service Retirement option was not eligible for a buyout).

Both in Defense and in non-Defense agencies, agencies reported that buyouts were an extremely successful tool that sharply increased voluntary attrition, particularly for VERA retirements of employees in surplus positions.

1-B-8-2

New VSIP Flexibilities

The Homeland Security Act of 2002 (Public Law 107-296, approved November 25, 2002) provides additional buyout opportunities for an agency that is restructuring.

- B**
 - Section **1-B-7** covers additional flexibilities for an agency that is restructuring to offer the Voluntary Early Retirement (“**VERA**”) option to avoid involuntary separations or demotions because of surplus or displaced employees.
 - **Explanation**-In Section 1313(a) of the Homeland Security Act of 2002 (Public Law 107-296, approved November 25, 2002), Congress for the first time approved a continuing buyout authority that is available to most executive branch agencies who are carrying out restructuring actions.
- ①
 - Section 1313(a) of the Act is codified in sections 5 U.S.C. 3521-3525.
- ①
 - On February 4, 2003, at 68 FR 5529, OPM published interim 5 CFR part 576 regulations to implement the buyout provisions of Section 1313(a) of the Act.
- ①
 - In OPM’s interim regulations, subpart 5 CFR-576-A covers both how an agency submits a proposed buyout plan to OPM and the basis for OPM approval of the agency’s plan.

The maximum amount of a buyout is still capped at \$25,000, the same limit set in all the prior buyout legislation starting with the Defense buyout program under Public Law 102-484. However, each agency head may now determine the maximum amount of a buyout up to the \$25,000 ceiling. The prior buyout legislation used the general severance pay formula to determine the amount of a buyout, again to the maximum of \$25,000.

Each agency wishing to offer buyouts under Public Law 107-296 will submit a plan to OPM that identifies the purpose, coverage, time periods, and amounts of the proposed buyouts. OPM will consult with OMB in reviewing the agency’s buyout plan. OPM will

subsequently notify the agency in writing when the buyout plan is approved. The agency must have OPM approval before offering buyouts under the Act.

Most prior buyout legislation restricted use of buyouts to situations when employees would actually be separated because of reduction in force. Now, with OPM approval an agency may offer buyouts using a proposed date for reshaping the workforce, but still before an actual planned reduction in force date.

To maximize this potential flexibility in reshaping situations, an agency may now for the first time offer buyouts after considering whether its present employees possess the skills, knowledge, or similar factors needed to perform a position. Under prior buyout legislation, an agency was generally required to have reduction in force plans in order to offer buyouts. Otherwise, under Public Law 107-296, buyout offers are still based upon nonpersonal considerations such as organizational units or occupations.

Public Law 107-296 provides that all present agency-specific buyout laws will remain effective until their respective expiration dates. However, those agencies would have the option of offering buyouts under their present legislation or under Public Law 107-296, but not under both.

Finally, Public Law 107-296 bars employees from receiving a buyout if the individual recently received a student loan payment, a recruitment or relocation bonus, or a retention bonus.



- Restructuring Information Handbook Module 10, "**Voluntary Separation Incentive Payments**," has additional guidance on requesting, managing, and reporting, the buyout option.

1-B-8-3

Repayment Requirement for Federal Employment After Receiving VSIP

The Homeland Security Act of 2002 established a uniform standard requiring that an individual who separated for a buyout must repay the gross amount of the buyout if the individual is reemployed by the Government of the United States within 5 years.

- **Explanation**-Section 1313(a) of the Homeland Security Act of 2002 provides that an individual who separated for a buyout authorized by the Act must repay the entire amount of the Voluntary Separation Incentive Payment before the individual's first day of reemployment by the Government of the United States.

The buyout repayment requirement also includes employment under a personal services contract, or other direct contract, with the United States Government (other than an entity in the legislative branch).

- Section 1313(a) of the Act codified the buyout repayment requirement and the OPM waiver option in section 5 U.S.C. 3524.
 - Subpart 5 CFR-576-B implements the statutory repayment procedures under the Act.
 - Subpart 5 CFR-576-B also implements both an OPM waiver of the Act's repayment requirement, and an OPM waiver of the buyout repayment requirement when permitted by agency-specific buyout statutes.
- B**
- Paragraph **1-B-8-4** has additional guidance on buyout repayment waiver requests to OPM.

1-B-8-4

OPM Waiver of the VSIP Repayment Requirement

The Homeland Security Act of 2002 also established a uniform standard for an OPM waiver of the general buyout repayment requirement for reemployment in the Federal Government after receiving a Voluntary Separation Incentive Payment.

- **Explanation**-An individual who separated for a buyout under the Act is required to repay the gross amount of the buyout if the individual is reemployed by the Government of the United States within 5 years.

- B**
- Paragraph **1-B-8-3** has additional guidance on the general buyout repayment requirement under the Act.

Section 1313(a) of the Homeland Security Act of 2002 provides that the head of most executive branch agencies may request OPM

to waive the general buyout repayment requirement.

- ①
 - Section 1313(a) of the Act codified the buyout repayment requirement and the OPM waiver option in section 5 U.S.C. 3524.
- ①
 - Subpart 5 CFR-576-B implements both an OPM waiver of the Act's repayment requirement, and an OPM waiver of the buyout repayment requirement when permitted by agency-specific buyout statutes.

The head of an executive agency may ask OPM to waive the general buyout repayment requirement if the individual who previously separated for a buyout:

- (1) Is the only qualified applicant who is available for the position; or
- (2) In an emergency situation, has skills directly related to the emergency, and after reemployment will serve on an emergency basis only as needed because of the emergency.

1-B-8-5

VSIP Is Not VERA

A "**Voluntary Separation Incentive Payment**" (also called a "**Buyout**") is not the same as Voluntary Early Retirement ("**VERA**").

- OPM approval of VERA for an agency does not by itself authorize buyouts.
- B**
- Section **1-B-7** covers the VERA option for an agency that is restructuring.
-

Section 9, Training and Retraining as an Attrition Tool

Introduction This section covers training and retraining agencies that an agency may be able to provide for its displaced employees.

Contents This section contains the following topics:

Topic	See Paragraph
Differences Between Training and Retraining	1-B-9-1
Intra-Agency Retraining	1-B-9-2
Interagency Retraining	1-B-9-3
Training and Retraining for Non-Federal Positions	1-B-9-4
Retraining Options Under the Workforce Investment Act of 1998	1-B-9-5

B This symbol highlights where you can find additional material in Unit 1-B.

i This symbol guides you toward more general references on the subject in Module 1 or in other Modules.

Section 9, Training and Retraining as an Attrition Tool

1-B-9-1

Differences Between Training and Retraining

“**Retraining**” prepares employees for different careers, or teaches them how to perform differently, while “**Training**” helps employees to better perform their current positions.

- **Explanation**—“Retraining” as a tool to increase the voluntary attrition of employees in surplus positions to other continuing positions includes both (1) training and other development to close gaps where skills are obsolete; and (2) training and development to give an employee the knowledge and skills leading to another occupation.

Retraining programs generally concentrate on the basic competencies an employee needs to successfully perform a new or redesigned position. Retraining generally does not include advanced level technical skills in a new line of work.

A good retraining program should include most or all of these characteristics :

- (1) Active support of agency management, particularly the highest level managers;
- (2) Retraining program goals that are linked to the agency’s Strategic Plan;
- (3) Good communication and sharing of relevant information;
- (4) When possible, guaranteed placement of retrained employees;
- (5) Verification that employees who enter the retraining program have the basic skills required for successful completion of the program;
- (6) An agency selection processes that provides the greatest opportunity for success;
- (7) A retraining team for large organizations;
- (8) Needs assessments to determine the competencies needed for

success in both higher skill levels of the employee's present occupations, or in new occupations;

- (9) A comprehensive retraining curriculum;
 - (10) Effective development and delivery of the retraining program, as approved the agency's managers and Human Resource professionals;
 - (11) Available counseling to help employees cope with the psychological consequences of changing or losing jobs;
 - (12) As needed, technical, interpersonal, and analytical skills training
 - (13) As needed, structured activities to help employees adjust to different work cultures or environments; and,
 - (14) As needed, planned classroom training, on-the-job training, and self-study.
-

1-B-9-2

Intra-Agency Training and Retraining

An effective intra-agency training and retraining program allows an agency, at its option, to retain its valuable employees even if they presently hold surplus positions.

- **Explanation**-By retraining these proven employees into a related or even a new line of work, the agency may be able to most efficiently resolve significant present or projected skills imbalances in its workforce. Added retraining benefits include minimizing disruption to the work environment and building workforce morale, particularly when the agency uses retraining as an alternative to involuntary separations and demotions from downsizing.

B

- Paragraph **1-B-9-3** below has guidance on options for effective interagency retraining.

The Federal Workforce Restructuring Act of 1994 (Public Law 103-226) amended Chapter 41, section 4101(4) of Title 5, U.S.C. redefined "training" to provide agencies with more flexibility to manage restructuring situations.

The provisions of the 1994 Act allow an agency, at its option, to provide its employees with training when the agency's twin goals are to:

- (1) Improve the performance of both the agency's employees and its organizations; and
- (2) Assist the agency achieve its mission and performance goals.

Section 1331(a) of the Homeland Security Act of 2002 (Public Law 107-296, enacted November 25, 2002) provides an agency, at its option, with additional opportunities for training employees when this training is needed to:

- (1) Resolve a staffing problem identified by the agency (e.g., a shortage of employees with specific skills), or
 - (2) To accomplish the goals of the agency's Strategic Plan.
- Section 1331(a) codified these expanded training options in amended 5 U.S.C. 4107.

1-B-9-3

Interagency Retraining

The Federal Workforce Restructuring Act of 1994 (Public Law 103-226) amended Chapter 41, section 5 U.S.C. 4103(b) to provide additional options for retraining for the purpose of placing a surplus employee into a continuing position in a different agency.

- **Explanation**-This provision of the Act amended section 5 U.S.C. 4103(b). This section allows an agency, at its option, to train employees to prepare them for placement in another agency, if the head of the agency determines that this is in the Government's interest. The amendment relaxed the requirement that the employee face separation before he or she could be trained for placement in another agency.

1-B-9-4

Training and Retraining for Non-Federal Positions

An agency may, at its option, use its appropriated funds for training or retraining surplus or displaced employees for positions outside the

Federal Government only when specifically authorized by legislation.



- Reference subparagraph 5 CFR 410.308(c)(3).

1-B-9-5

Retraining Options Under the Workforce Investment Act of 1998

The “**Workforce Investment Act (WIA) of 1998**” provides both training and retraining options to assist displaced employees who are unlikely to return to their previous occupation.

- **Explanation**-The Workforce Investment Act (**WIA**) of 1998 (Public Law 105-220, enacted August 7, 1998) requires each State to provide employment assistance to all displaced workers, including Federal employees. The WIA replaced the Job Training Partnership Act (JTPA) provisions established under Public Law 97-300 (enacted October 12, 1982, as amended).

The WIA program is administered by the Department of Labor. The WIA provides a wide range of services to help individuals displaced from their positions because of restructuring. These services include skills assessments, job development, counseling, job search assistance, and training or retraining. Specific services are available through state and local employment offices.

OPM’s retention regulations require that an agency must provide each employee who receives a reduction in force notice of separation with information about the WIA program.



- Section **3-A-30** in Restructuring Information Handbook Module 3 (“**Reduction in Force**”) contains additional guidance on special notice requirements when an agency separates employees by reduction in force.

At its option, an agency may issue a “**Certificate of Expected Separation**” (“**CES**”) to an employee who is likely to be separated within 6 months by reduction in force. (An employee excess possible of relocation is not eligible to receive a CES.)

The CES makes a surplus employee eligible for some or all WIA services before the employee actually receives a specific notice of reduction in force separation. Note that even with the CES, most states will not provide retraining services until the employee is

actually separated by reduction in force.



- Section **3-A-32** in Module 3 contains additional guidance on the CES.

The State-based WIA offices offer many services for employees faced with involuntary separation because of reduction in force or relocation.

The WIA representatives will often come onsite to both explain the benefits available to displaced employees, and then to register the displaced employees for available programs. In most situations, the WIA representatives are extremely flexible in providing valuable transition services to displaced employees.

The agency should contact with the appropriate WIA and related State offices as soon as the agency finds that it may be necessary to carry out involuntary separations.

The OPM website provides links to States' WIA offices and other state and local services for displaced employees at:
www.opm.gov/rif/general/onestop.htm

Section 10, Case Study on Providing Assistance to Displaced Employees

Introduction This section summarizes how the Department of the Treasury's Financial Management Services (FMS) organization used many of the options covered in this Module in a closure situation to minimize harm to both the agency and its employees.

Contents This section contains the following topics:

Topic	See Paragraph
Situation-Closure of the FMS Chicago Financial Center	1-B-10-1
Positive Placement Assistance While Implementing the Strategic Plan	1-B-10-2
Labor-Management Cooperation	1-B-10-3
HRO and EEO Role	1-B-10-4
Extensive Commitment to Outplacement Programs	1-B-10-5
Extensive Commitment to Training and Retraining	1-B-10-6
Lessons From the CFC Closure	1-B-10-7

B This symbol highlights where you can find additional material in Unit 1-B.

① This symbol guides you toward more general references on the subject in Module 1 or in other Modules.

Section 10, Case Study on Providing Assistance to Displaced Employees

1-B-10-1

Situation-Closure of the FMS Chicago Financial Management Center

On November 1, 2000, the Department of the Treasury used many of the options covered in Module 1 as it closed its Financial Management Services (FMS) Chicago Financial Center (CFC).

- **Explanation**-Although all reduction in force actions may, at least in the short-term, negatively affect an agency and its employees, the complete closure of an activity can be particularly disruptive to both the agency and the impacted employees.

FMS was required to close a production facility far removed from both the Treasury and the FMS headquarters. Fortunately, FMS was able to allocate sufficient resources to the task, and to spread the process over 18 months. These factors enabled both Treasury and FMS to provide many career transition services to the excess FMS-CFC employees, while still maintaining the expected level of service to FMS' customers.

In a long-term series of actions, FMS has been consolidating its field facilities due to maximize improvements in both information technology and transportation infrastructure within the United States.

For FMS, the closure of the Washington Financial Center in 1994 was a valuable learning experience. A majority of the CFC employees were long-term Federal civil servants, who were naturally reluctant to transfer to jobs in the private sector. Chicago also posed severe logistical problems, being 800 miles from the FMS headquarters.

1-B-10-2

Positive Placement Assistance While Implementing the Strategic Plan

CFC management worked with FMS headquarters to identify which centers would receive CFC's workload after the closure (i.e., 10 million

monthly benefit payments and related claims activity).

- **Explanation**-FMS worked with its customers and stakeholders throughout the closure process as responsibilities for payment activities moved to other FMS locations.

Treasury and FMS undertook a major commitment to assist CFC's displaced employees. The results justified the effort.

Of the 90 full-time permanent employees working at CFC when the closure was announced on April 15, 1999:

- (1) Thirty-nine either transferred to other FMS, or other Federal agency jobs, or had pending Federal job offers at the time of closure;
- (2) Seven had taken jobs with the private sector;
- (3) Eighteen had retired with buyouts by January 31, 2000 and one had accepted a buyout and resigned; and
- (4) Twenty-five employees were separated on November 1, 2000, nine of whom were eligible for discontinued service or optional retirement.

In addition to the placement program, FMS coordinated massive labor relations, personnel operations, and training initiatives which improved employees' career transition options in this closure situation.

1-B-10-3

Labor-Management Cooperation

When FMS announced the closure in April 1999, FMS designated a team of managers to travel to Chicago and conduct negotiations with the employees' collective bargaining agency.

- **Explanation**-The Labor Relations branch manager coordinated the bargaining session. The agency's bargaining team included representatives from headquarters, CFC management, and the human resources team leader. The union's bargaining team included local and national representatives.

Through the negotiations, the bargaining teams agreed on:

- (1) Guaranteed employment for CFC employees until the closure date;
- (2) Full placement assistance to other continuing positions under the Career Transition Assistance Plan and the Interagency Career Transition Assistance Plan;
- (3) Dedication of a specific number of job vacancies within other FMS centers where CFC employees could be placed at the same grade level;
- (4) Relocation expenses provided within budgetary limitations to any employee transferring to another FMS site and equal treatment on allocation of funding to managers and bargaining unit members, respectively;
- (5) Agreement by FMS to obtain buyout and early-out authority, if possible;
- (6) Hiring of an on-site professional outplacement company;
- (7) Utilizing the Chicago Partnership Council to both monitor the implementation of the collective bargaining agreement and serve as a forum for continuing dialogue;
- (8) Providing training to employees that would supplement their skills and facilitate their job search;
- (9) An all-employee briefing on the collective bargaining agreement; and
- (10) Designation of a grievance mechanism for employees to use in dealing with issues that arose in the closure process.

The FMS bargaining team had the support of FMS top management, both before and during the negotiations. This included authority to make both decisions and commitments. The team was clear about the funding available for the closure, the training and outplacement options that could be offered, and the funding available for relocation assistance.

The teams reached agreement after a week of intense meetings. Both during and after the negotiations, FMS repeatedly assured the union that the agency intended to fully honor to its commitments in the collective bargaining agreement.

During the 18 months that followed, there was not a single instance of FMS being accused of failing to do what it said it would do in the signed agreement. There were no grievances filed, no charges of Unfair Labor Practices, and no letters to Congress.

Following the agreement, the Chicago Partnership Council met regularly to discuss and review the closure. About every four to six weeks, the Project Manager and/or the Human Resources Team Leader attended these meetings in Chicago. When issues arose there was a steady dialogue between the union's local president, and the CFC managers and headquarters representatives.

The CFC consistently provided the local's union president with important information on activities concerning the closure. This also included steady communication between the local union president and the management team on the consolidation of working space at the CFC, removal of furniture and equipment by other agencies prior to the closure date, and the procedures for final processing out of employees.

1-B-10-4

HRO and EEO Role

FMS' Human Resource Division's Policy Branch was actively involved throughout the closure process.

- **Explanation**-The Branch's activities included:
 - (1) Drafting of the general closure notice;
 - (2) Developing Questions & Answers and Fact Sheets;
 - (3) Researching and advising on policy issues;
 - (4) Drafting and issuing the specific reduction in force notice that FMS issued on November 1, 1999 (i.e., one year in advance of the closure);

- (5) Working with OPM on obtaining voluntary early retirement authority (VERA) to support planned FMS buyouts;
- (6) Developing cost estimates for annual leave and severance pay;
- (7) Helping to provide on-site coverage by personnel specialists at the Center; and
- (8) Managing the contract with a vendor for career transition outplacement services.

The Branch received one EEO complaint directly associated with the closure. The Branch resolved the complaint by accommodating a handicapped employee for employee briefings on the closure.

1-B-10-5

Extensive Commitment to Outplacement Programs

Treasury and FMS used a multi-faceted approach with the net result of providing massive effective outplacement services to the displaced CFC employees.

- **Explanation-** Based on the successful performance of a job placement contractor during the Washington Financial Center closure, the project team recognized the importance of providing similar services for the CFC. After a competitive bidding process, FMS awarded a contract to a vendor, which provided two experienced placement professionals who resided in Chicago, supported by FMS personnelists from a different location.

Government-furnished equipment for the outplacement services included:

- (1) Conference rooms;
- (2) Training rooms on the fourth floor of the Clark Street building;
- (3) Fax and copying machines;
- (4) A video camera for use in training courses;

- (5) Phones;
- (6) Computers with internet access;
- (7) Periodicals; and
- (8) Office supplies.

The contractor began by providing job search workshops, including resume writing and preparation of job applications. Classes also were held on retirement planning, interviewing, individual goal setting, and "dressing for success."

FMS found an initial reluctance by the displaced CFC employees to visit the placement center and meet with the counselors. However, this was overcome by an extensive publicity campaign and by the persistence of the counseling staff in contacting employees. Eventually, all the CFC's employees used the placement center's services. CFC management supported and facilitated the job placement effort by announcing a generous policy of administrative leave for employees to attend job interviews and other placement-related activities outside the RFC.

By the time that the CFC activity closed:

- (1) The contractor had conducted 42 training courses for 256 attendees;
- (2) The placement center had logged 1,408 information visits;
- (3) The staff had conducted 2,732 separate counseling sessions, and had assisted in the preparation of 499 resumes;
- (4) There were 1,064 referrals to public and private sector jobs; and
- (5) The transition center had hosted three job fairs by outside employers, held two seminars on starting small businesses by the Small Business Administration, and publicized numerous external job fairs in the vicinity of the CFC.

Near the end of the closure, FMS evaluated the contractor's performance. This included a survey of CFC employees, both those who were still working at the Center and those who had departed.

The displaced employees gave the outplacement program high marks for its performance in reducing hardship from the closure of the CFC.

1-B-10-6

Extensive Commitment to Training and Retraining

In order to implement a key provision of the collective bargaining agreement, FMS established a training and retraining program designed to improve the employability of CFC personnel by making them more competitive in the current job market.

- The Training and Education Center of the FMS Human Resources Division designed and implemented the training and retraining program.
- **Explanation-**The Training and Education Center designed the training and retraining program on the basis on an employee skills profile and training needs survey.

Employees made their own assessment of their knowledge, skills, and ability levels in several areas, and indicated their occupational interests. As a result of the survey and of extensive analysis and review by the headquarters closure team, a program was set up whereby separate courses of study would be offered under several major categories. Arrangements were made with Harold Washington College and Robert Morris College in Chicago to deliver the courses and award either college credits or Continuing Education Units (CEUs).

The courses of study were:

- (1) Financial Skills Proficiency Program (four quarter hours of college credit);
- (2) Administrative Development Program (four quarter hours of college credit);

- (3) Personal Computer Proficiency Program (CEUs earned); and,
- (4) Web Technology (three semester hours of college credit).

In addition to signing up for one of the proficiency programs, each employee had the option of taking additional courses from each curriculum area, subject to managerial approval and workload considerations.

CFC management and the lead training specialist jointly developed a schedule for training and retraining. The CFC then assigned interested employees to classes based upon their individual preferences.

CFC managers and supervisors were concerned whether the training and retraining activities would disrupt production of the CFC's payments and claims operations. Employees were similarly concerned after the CFC pulled some employees out of class for production reasons during the initial offerings of job placement programs. After discussion at the Partnership Council, the Director announced a policy under which an employee could be removed from an assigned class only in an emergency, and only if approved in each instance by the Director following a request by the employee's supervisor. This policy worked well for the duration of the CFC, which still reached its production and training goals.

CFC set up three training rooms. CFC equipped the training room on the second floor with 18 computer workstations. The FMS training specialist worked with the CFC to install software for the training curriculum. On the fourth floor, CFC equipped two lecture-style classrooms using surplus furniture sent from Washington, D.C. As a result of this planning, all placement center courses for the displaced CFC employees could be conducted on-site with minimal disruption of production operations.

The training program began with its first offering on October 18, 1999, and ended on April 13, 2000. Seventy-three CFC employees participated in the program, with 70 completing the courses in which they had enrolled.

During this time, the lead training specialist from headquarters

worked closely with CFC staff and with program coordinators from the two colleges on resolving minor problems concerning computer software, textbooks, and instructor performance.

The program culminated in a graduation ceremony on April 26, 2000. Testimonials were also given by two former employees who had found jobs with other Federal agencies and were successfully moving forward with their government careers. Much of the work of organizing the event was done by the union's local vice-president and other CFC employees, along with the training specialist and other headquarters team members.

During the latter part of the closure, FMS met with city and state government officials to determine opportunities for employees to qualify for career retraining programs funded by the U.S. Department of Labor and administered by localities. On two occasions, state and local officials came to the CFC to give briefings on these programs. However, the officials noted that funding was not yet available, and that the training and retraining programs were being shortened in favor of job placement efforts.

In order to qualify for training and retraining, employees would also be required to sign-up at a One-Stop Career Center for enrollment and aptitude testing. Thirty employees attended a briefing held June 19, 2000, and 17 expressed an interest in the program. As of October 31, 2000, funding had become available, but there were no reported instances of an employee having enrolled in a training program.

1-B-10-7

Extensive Commitment to Communication

From the start of the closure process, the CFC closure team included an organization development specialist from the FMS Human Resources Division to assist CFC and headquarters management in addressing issues and facilitating communications.

- The organization development specialist also assisted and advised on all-employee meetings and published a closure newsletter.
- **Explanation-**A year before the closure announcement, FMS' Organization Development and Analysis Branch conducted a

survey at CFC which identified morale issues. FMS implemented plans to resolve these issues, and actively included the plans into the closure process after the closure was announced in April 1999.

FMS reported that throughout the closure, employee morale remained generally positive, except for the normal reactions to a potentially adverse change. To some extent, the closure announcement was viewed by employees as a relief, since rumors of closure had been circulating for years. The 18-month closure period was viewed by employees as allowing time to prepare for their future, thus helping alleviate some of the stress.

The organization development specialist worked with the director and deputy director to address the survey issues and to help them exert effective leadership throughout the closure. The specialist took a neutral stance, not as someone representing management, but as a professional attempting to turn adverse circumstances to a positive end. This involved several trips to the center, including attendance at the training graduation ceremony in April 2000. The specialist also met frequently with the closure coordinator to discuss sensitive issues.

To ensure positive communications with employees, the CFC published nine issues of the "CFC Outlook" newsletter. The newsletter was developed by the headquarters closure team but included articles from all parties, including closure staff, union officials, the director, the placement contractors, and employees. The tone of the newsletter remained upbeat, with the final issue devoted largely to a review of the closure by the union's local president.

1-B-10-8

Lessons From the CFC Closure

In closing the CFC, Treasury and FMS used many of the model restructuring practices in Module 1 to both maintain continuity of the CFC's mission, and minimize the adverse effects of the closure upon the displaced CFC employees.

- **Explanation**-The model restructuring practices used by Treasury, FMS, and the CFC include:

(1) A complete commitment of top management to the

“Strategic Plan” that resulted in closure of the CFC;

- (2) Development of the “Strategic Plan” by using a comprehensive multi-year “Strategic Planning and Alignment” approach to improve the effectiveness of FMS’s mission;
 - (3) Using “Position Management” throughout the process of closing the CFC, and realigning its work to an existing FMS organization;
 - (4) Maintaining effective communication between all employees involved in the closure, including decisionmakers at different levels, first line supervisors, employees displaced by the closure, and the employees’ local union; and
 - (5) Providing surplus and displaced employees with the widest possible range of options, such as—
 - (a) Extensive intra-agency placement opportunities,
 - (b) A full range of training and retraining opportunities provided both at the initiative of FMS and through early involvement of services provided by outside sources to all displaced employees,
 - (c) Comprehensive career transition and outplacement services, supported by a contractor hired solely for that purpose,
 - (d) Voluntary Early Retirement to maximize voluntary attrition, and
 - (e) Voluntary Separation Incentive Payments (i.e., buyouts) to further maximize voluntary attrition.
-

Section 11, Downsizing Assistance From OPM

Introduction This section explains how an agency may contact OPM for reimbursable restructuring services.

Contents This section contains the following topics:

Topic	See Paragraph
Contacting OPM For Reimbursable Services	1-B-11-1
Restructuring-Related Reimbursable Services Available From OPM	1-B-11-2

B This symbol highlights where you can find additional material in Unit 1-B.

i This symbol guides you toward more general references on the subject in Module 1 or in other Modules.

Section 11, Downsizing Assistance From OPM

1-B-11-1

Contacting OPM For Reimbursable Services

OPM can provide a wide range of restructuring services.

- OPM's Restructuring Services Program at OPM's San Francisco Service Center can provide information and pricing on restructuring services.
 - Contact OPM's Restructuring Services Program at [415-281-7094](tel:415-281-7094), or by e-mail to SanFrancisco@opm.gov.
-

1-B-11-2

Restructuring-Related Reimbursable Services Available From OPM

OPM provides proven reimbursable services to agencies involved in restructuring:

- (1) **Organizational Transformation Services.** OPM can help an agency restructure and achieve maximum organizational performance through its most important asset, the agency's human resources.
- **Explanation-** Organizational change is managed, but organizational transformations require leadership. OPM can provide an agency's decisionmakers with guidance on all the model practices included in Module 1. This will facilitate effective organizational change that will readily achieve excellence in performance of the agency's missions.

OPM can also serve as an executive coach to align leadership with the goals of the transformation. Organizations using executive coaching find it sends a powerful dual message to the workforce: (1) managers are serious about change, and (2) recognize that both managers and nonmanagers must be prepared to change in a successful reorganization.
- (2) **Organizational Consultant.** OPM can act as an organizational consultant for an agency.

- **Explanation**-OPM can propose appropriate solutions and systems consistent with the agency's specific restructuring goals. Solutions include redesign of the agency's organizational structure, design and development of the agency's human resource systems to support the agency's restructuring goals, change management, and competency-related tasks, such as identifying, assessing, and developing competency-based solutions.

- (3) **Reduction in Force Planning and Implementation.** The reduction in force process makes the agency responsible for providing employees with their substantive retention rights.

- **Explanation**-OPM can provide an agency on-site technical consultation to the agency's managers, employees, and human resources. OPM can also assist the agency implement the retention regulations. OPM's services may cover the entire process from the planning stage through actual implementation of reduction in force actions. OPM has expertise on automated systems, database and records management, briefings, assignment right determinations, benefits options, outplacement, and more.

- (4) **Results-Based Career Transition Services.** OPM can provide career transition services to meet the agency's organizational goals and the needs of its employees.

- **Explanation**-OPM can provide career counseling directly to employees impacted by restructuring actions. OPM has helped many agencies outplace and transition surplus employees into new careers and new educational options. Finally, OPM has also conducted career and outplacement job fairs. OPM will set up the event, market the session, create skills summaries, and provide additional appropriate services.

- (5) **Succession Planning.** After restructuring or downsizing, many agencies face a critical shortage of technical expertise and skilled managers when key personnel leave.

- **Explanation**-OPM can provide succession planning services, including development of a succession plan tailored to the needs and goals of your organization, identification of key positions, assessment of critical competencies, selection tools, and training and development plans.

- (6) **Workforce Retention.** OPM consultants have an excellent track record of working with agencies to identify the underlying organizational issues affecting turnover, and developing solutions that enhance employee satisfaction and retention.
- **Explanation-**There is rarely a single solution to an organization's retention issues. OPM consultants can provide workforce retention strategies from a variety of venues, including assessment of organizational climate, the role of management in reducing turnover, selection and assimilation of employees into the organization, employee satisfaction surveys, and employment and workplace flexibilities that enhance retention. In addition, OPM can establish metrics that let an agency monitor and evaluate the effectiveness of retention strategies to ensure they achieve the desired results.
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